



Model updated: 25 October 2017

Running the numbers

North America

Canada

Railroads

Canadian National

Reuters: CNI.N

Bloomberg: CNI US

Sell

Price (30 Oct 17) USD 81.21

Target Price USD 73.00

52 Week range USD 61.95 - 83.85

Market cap (m) USDm 61,215
EURm 52,649

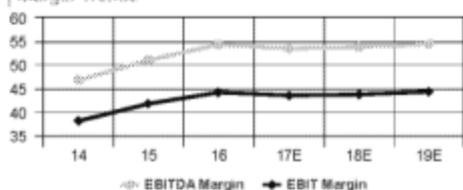
Company Profile

Canadian National, headquartered in Montreal, Canada, provides rail and intermodal freight transportation services over a 20,000 mile network connecting all four major ports in Canada (Prince Rupert, Vancouver, Halifax & Montreal) to the Gulf of Mexico. In 2016, CNI generated C\$12bn of revenue and \$5.3bn of ebit.

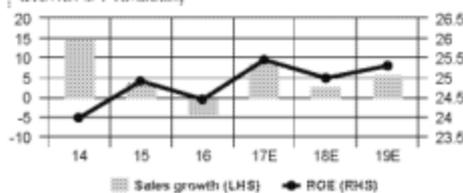
Price Performance



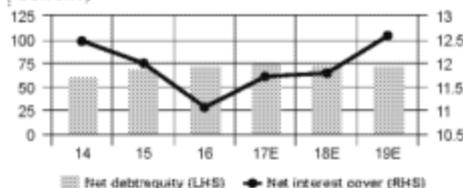
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec

Financial Summary

	2014	2015	2016	2017E	2018E	2019E
DB EPS (CAD)	3.78	4.45	4.60	5.07	5.34	5.90
Reported EPS (CAD)	3.85	4.39	4.67	5.06	5.34	5.90
DPS (CAD)	1.00	1.24	1.49	1.64	1.81	1.99
BVPS (CAD)	16.44	18.67	19.13	20.27	22.20	24.12

Valuation Metrics

Price/Sales (x)	4.7	5.0	5.2	6.0	5.9	5.5
P/E (DB) (x)	18.6	17.7	17.7	20.6	19.5	17.7
P/E (Reported) (x)	18.1	17.9	17.4	20.6	19.5	17.7
P/BV (x)	4.9	4.2	4.7	5.1	4.7	4.3
FCF yield (%)	3.6	3.9	4.0	3.5	3.9	4.3
Dividend yield (%)	1.4	1.6	1.8	1.6	1.7	1.9
EV/Sales	5.4	5.8	6.1	6.9	6.7	6.4
EV/EBITDA	11.5	11.3	11.2	12.8	12.5	11.8
EV/EBIT	14.1	13.8	13.8	15.8	15.4	14.4

Income Statement (CADm)

Sales	12,134	12,611	12,037	13,067	13,418	14,171
EBITDA	5,674	6,424	6,537	6,975	7,218	7,706
EBIT	4,624	5,286	5,312	5,682	5,863	6,274
Pre-tax profit	4,280	4,874	4,851	5,205	5,366	5,776
Net income	3,167	3,538	3,640	3,832	3,944	4,245

Cash Flow (CADm)

Cash flow from operations	4,381	5,140	5,202	5,435	5,658	6,073
Net Capex	-2,297	-2,706	-2,695	-2,700	-2,684	-2,834
Free cash flow	2,084	2,434	2,507	2,735	2,974	3,239
Equity raised/(bought back)	-1,475	-1,663	-1,931	-1,935	-2,135	-2,335
Dividends paid	-818	-996	-1,159	-1,240	-1,331	-1,436
Net inc/(dec) in borrowings	-77	540	691	350	500	500
Other investing/financing cash flows	124	-214	-85	0	0	0
Net cash flow	-162	101	23	-90	8	-33
Change in working capital	-105	-156	-35	-24	-8	-18

Balance Sheet (CADm)

Cash and cash equivalents	52	153	176	86	95	62
Property, plant & equipment	28,514	32,624	33,755	35,429	37,374	39,429
Goodwill	0	0	0	0	0	0
Other assets	3,226	3,625	3,126	3,232	3,268	3,345
Total assets	31,792	36,402	37,057	38,747	40,737	42,836
Debt	8,409	10,427	10,937	11,587	12,087	12,587
Other liabilities	9,913	11,025	11,279	11,878	12,354	12,975
Total liabilities	18,322	21,452	22,216	23,465	24,441	25,562
Total shareholders' equity	13,470	14,950	14,841	15,282	16,296	17,274
Net debt	8,357	10,274	10,761	11,501	11,992	12,525

Key Company Metrics

Sales growth (%)	14.7	3.9	-4.6	8.6	2.7	5.6
DB EPS growth (%)	23.2	18.3	3.4	10.3	5.4	10.3
Payout ratio (%)	25.8	28.2	31.8	32.4	33.8	33.7
EBITDA Margin (%)	46.8	50.9	54.3	53.4	53.8	54.4
EBIT Margin (%)	38.1	41.8	44.1	43.5	43.7	44.3
ROE (%)	24.0	24.9	24.4	25.4	25.0	25.3
Net debt/equity (%)	62.0	68.7	72.5	75.3	73.6	72.5
Net interest cover (x)	12.5	12.0	11.1	11.7	11.8	12.6

DuPont Analysis

EBIT margin (%)	38.1	41.8	44.1	43.5	43.7	44.3
x Asset turnover (x)	0.4	0.4	0.3	0.3	0.3	0.3
x Financial cost ratio (x)	0.9	0.9	0.9	0.9	0.9	0.9
x Tax and other effects (x)	0.7	0.7	0.8	0.7	0.7	0.7
= ROA (post tax) (%)	10.2	10.4	9.9	10.1	9.9	10.2
x Financial leverage (x)	2.3	2.4	2.5	2.5	2.5	2.5
= ROE (%)	24.0	24.9	24.4	25.4	25.0	25.3
annual growth (%)	10.0	3.9	-1.9	4.1	-1.8	1.3
x NTA/share (avg) (x)	16.0	17.6	19.1	19.9	21.4	23.3
= Reported EPS	3.85	4.39	4.67	5.06	5.34	5.90
annual growth (%)	24.6	14.3	6.3	8.3	5.7	10.3

Source: Company data, Deutsche Securities estimates